

Cash Stash Strategy By Merrra Lee Moffitt

Money rules are changing. Your business checking account and savings account can no longer remain the sluggish cash participants in your emergency funds arsenal. For too long your emergency cash has sat there earning little or no interest just waiting for an emergency to happen. Would you let any employee stand around when they could be doing something useful?

Here's a way to strategically structure your cash so you can 1) get to it quickly when you need it, 2) earn as much interest as possible while you're waiting for an emergency, 3) get tax-free benefits until a catastrophe and finally, 4) make sure your cash works as hard as you do at making your business and family thrive.

Business Checking Account- Keep enough to pay bills for the one month. Knowing your spending rate and any seasonal fluctuations is a must. When amounts exceed 30 days of spending, sweep that amount into your Tier-1 Money Market account.

Tier-1 - Money Market- Keep two months of spending here. Money markets today have online wire transfers that are both simple and readily accessible. I've seen recent money market yields of 4.5% and 4.75%. Money can be wired between your main checking and the money market account for access in a couple days. This account would be drawn upon, for example, when a large customer pays late, or a temporary slow down in business.

Tier-2- Muni High-Yield Bond Funds- Keep three more months of spending here. These tax free funds can be built up over time. Most funds have a one year, 1% withdrawal penalty; after that funds can be withdrawn any time. Last year 71% of all such funds returned in excess of 4% federally tax free. Generally you can get to your money within a few days. These funds are for deep emergencies such as a recession.

Tier-3- Your Roth Account- Yes, that's right. Your contribution portion to your Roth account can be withdrawn penalty free. If you have been avoiding putting money into a Roth because you're saving for an emergency, you can do both. You only want to use this money in a catastrophe since you'll be giving up decades of tax-free growth. And while you can put in a new contribution for this year (unless you're excluded), you can't replace those prior year's contributions you took out. But if the emergency comes, be sure to keep any growth in the account or you'll pay the taxes and penalties.

Lastly, even if you don't have sufficient cash to fill all three Tiers of cash, you can use this concept to get more out of the emergency cash you do have. You'll know that your cash is growing whenever you don't use it. That will help stimulate you into planning that avoids emergencies in the first place. Now that's good business management!

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For over 15 years she has been building and consulting small businesses. She is a nationally recognized leader in the customer service industry - advising CEOs on building profits, using her hard knocks experience, gutsy tactics, and caring candor. She works exclusively with business owners who want to create wealth from their businesses. Why? Because most people go into business for financial freedom yet end up working for less than they deserve never building the wealth they could - simply because they didn't get the right guidance.